



BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

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Application of **California-American Water Company** (U 210 W), to Decrease Revenues for Water Service in its Coronado District by (\$73,100) or (0.46%) in 2008 and Increase Revenues by \$266,200 or 1.67% in 2009 and \$260,900 or 1.61% in 2010

A.07-01-036

Application of **California-American Water Company** (U 210 W), to Increase Revenues for Water Service in its Larkfield District by \$1,272,000 or 61.91% in 2008, \$134,300 or 3.94% in 2009 and \$129,900 or 3.67% in 2010 Under the Current Rate Design or Decrease Revenues by (\$742,200) or (36.12%) in 2008 and Increase Revenues by \$50,000 or 3.72% in 2009 and \$63,500 or 4.55% in 2010 Under the Proposed Rate Design

A.07-01-037

Application of **California-American Water Company** (U 210 W), to Increase Revenues for Water Service in its Sacramento District by \$8,966,900 or 33.89% in 2008, \$1,905,700 or 5.36% in 2009, and \$1,860,700 or 4.97% in 2010 Under the Current Rate Design or by \$10,981,000 or 41.50% in 2008, \$1,925,900 or 5.11% in 2009 and \$1,845,600 or 4.66% in 2010 Under the Proposed Rate Design

A.07-01-038

Application of **California-American Water Company** (U 210 W), to Increase Revenues for Water Service in its Village District by \$1,537,300 or 7.43% in 2008, \$243,400 or 1.08% in 2009, and \$232,900 or 1.02% in 2010

A.07-01-039

PROTEST OF THE DIVISION OF RATEPAYER ADVOCATES TO THE APPLICATIONS OF CALIFORNIA-AMERICAN WATER COMPANY TO INCREASE REVENUES

I. INTRODUCTION

Pursuant to Rule 2.6 of the California Public Utilities Commission's ("Commission") Rules of Practice and Procedure ("Rules"), the Division of Ratepayer Advocates ("DRA") files this protest to Applications ("A.") 07-01-036 (Coronado), 07-01-037 (Larkfield), 07-01-038 (Sacramento), and 07-01-039 (Village) of California-America Water Company ("Cal-Am") for authority to increase its rates charged for water service in its Coronado, Larkfield, Sacramento and Village districts. The applications raise several areas of concern that merit further investigation by the Commission. Therefore, DRA recommends that the Commission schedule both evidentiary and public participation hearings for these proceedings.

II. APPLICATION

A. Coronado District

In its Coronado application, Cal-Am requests a change in revenues in the following amounts: (1) a decrease of \$73,100 or -0.46% in 2008; (2) an increase of \$266,200 or 1.67% in 2009; and (3) an increase of \$260,900 or 1.61% in 2010.¹

Cal-Am's estimated rate of return will be 8.41% in the 2008 test year and 8.43% in the 2009 and 2010 escalation years.² Cal-Am also seeks six special requests for the Coronado District as discussed below.

B. Larkfield District

In its Larkfield application, Cal-Am requests a change in revenues in the current rate design in the following amounts: (1) an increase of \$1,272,000 or 61.91% in 2008; (2) an increase of \$134,300 or 3.94% in 2009; and (3) an increase of \$129,900 or 3.67% in 2010.³

¹ Coronado Application at 2.

² Id., Exhibit B.

³ Larkfield Application at 2.

Alternatively, under a proposed rate design contingent on the consolidation of Sacramento and Lakefield districts, Cal-Am requests a change in revenues in the following amounts: (1) a decrease of \$742,200 or -36.12% in 2008; (2) an increase of \$50,000 or 3.72% in 2009; and (3) an increase of \$63,500 or 4.55% in 2010.

Cal-Am's estimated rate of return will be 8.41% in the 2008 test year and 8.43% in the 2009 and 2010 escalation years.⁴ Cal-Am also seeks eight special requests for the Larkfield District as discussed below.

C. Sacramento District

In its Sacramento application, Cal-Am requests a change in revenues in the current rate design in the following amounts: (1) an increase of \$8,966,900 or 33.89% in 2008; (2) an increase of \$1,905,700 or 5.36% in 2009; and (3) an increase of \$1,860,700 or 4.97% in 2010.⁵

Alternatively, under a proposed rate design contingent on the consolidation of Sacramento and Lakefield districts, Cal-Am requests a change in revenues in the following amounts: (1) an increase of \$10,981,000 or 41.50% in 2008; (2) an increase of \$1,925,900 or 5.11% in 2009; and (3) an increase of \$1,845,600 or 4.66% in 2010.

Cal-Am's estimated rate of return will be 8.41% in the 2008 test year and 8.43% in the 2009 and 2010 escalation years.⁶ Cal-Am also seeks eight special requests for the Sacramento District as discussed below.

⁴ Id., Exhibit B.

⁵ Sacramento Application at 2.

⁶ Id., Exhibit B.

D. Village District

In its Village application, Cal-Am requests a change in revenues in the following amounts: (1) an increase of \$1,537,300 or 7.43% in 2008; (2) an increase of \$243,400 or 1.08% in 2009; and (3) an increase of \$232,900 or 1.02% in 2010.⁷

Cal-Am's estimated rate of return will be 8.41% in the 2008 test year and 8.43% in the 2009 and 2010 escalation years.⁸ Cal-Am also seeks six special requests for the Village District as discussed below.

III. ISSUES

While DRA is still in the process of reviewing Cal-Am's application, it has identified several issues that it intends to review and address, as necessary, in evidentiary hearings. Potentially contentious issues identified by Cal-Am include: 1) the requested 11.6% rate of return on common equity; 2) the proposed tiered rate design – including the request for assured 100% fixed-cost recovery and rate consolidation of the Larkfield and Sacramento districts; 3) the request for a conservation memorandum account; 4) implementation of an Infrastructure System Replacement Surcharge ("ISRS"); and implementation of full-cost purchased water memorandum account for the Larkfield and Sacramento districts.⁹

In addition to the potentially contentious issues identified by Cal-Am, DRA is concerned with the usual issues reviewed by DRA in rate case proceedings. These issues include, but are not limited to, Cal-Am's requested rate of return, its forecast of sales and operating revenue, estimated O&M and A&G expenses, investment in utility plant and depreciation, proposed rate design, and customer service and service quality.

Also, DRA will evaluate whether the following Special Requests are appropriate and in the public interest:

⁷ Village Application at 2.

⁸ Id., Exhibit B.

Special Request #1: Implementation of an ISRS to recover additional fixed costs associated with capital expenditure investments for replacement or rehabilitation of certain facilities.¹⁰

Special Request #2: Implementation of a conservation rate design that will reduce the monthly service charge and shift more of the recovery of fixed costs to the volumetric charge.¹¹

Special Request #3: Implementation of rate consolidation of the Larkfield and Sacramento Districts, over time.¹²

Special Request #4: Implementation or continuation of a low income program.¹³

Special Request #5: Implementation of full-cost balancing accounts for purchased water.¹⁴

Special Request #6: Implementation of a memorandum account to track revenues and expenses associated with improvements to current conservation efforts.¹⁵

Special Request #7: Establishment of a memorandum account to track the actual tax effects of the American Jobs Creation Act.¹⁶

Special Request #8: Provision of the balances of all Cal-Am memorandum and balancing accounts.¹⁷

A. Conservation Special Requests

Cal-Am's Special Requests #2 and #6 both concern conservation policy. Special Request #2 concerns conservation rate design, while Special Request #6 concerns

² Coronado, Larkfield, Sacramento and Village Applications.

¹⁰ Coronado, Larkfield, Sacramento and Village Applications.

¹¹ Id.

¹² Larkfield and Sacramento Applications.

¹³ Coronado, Larkfield, Sacramento and Village Applications.

¹⁴ Larkfield and Sacramento Applications.

¹⁵ Coronado, Larkfield, Sacramento and Village Applications.

¹⁶ Id.

¹⁷ Id.

memorandum accounts to track revenues and expenses related to conservation.¹⁸ The Commission recently issued an Order Instituting Investigation (“OII”) regarding conservation policies for water utilities.¹⁹ Despite the fact the OII is considering conservation policies, DRA would prefer to deal with Cal-Am’s conservation Special Requests in this general rate case. However, a schedule should be determined that will allow for the application of the Commission’s findings from the conservation policy OII.

B. Rate Consolidation Special Request

Special Request #3 in Cal-Am’s application proposes the consolidation of the rates of the Larkfield and Sacramento Districts. Cal-Am made a similar request in A.04-08-013, which the Commission denied in Decision (“D.”) 05-09-020. Since the Commission denied a similar request a year and a half ago, it should not consider the rate consolidation request in this proceeding.

In D.05-09-020, the Commission found that Cal-Am had not demonstrated that the proposal for rate consolidation of the Larkfield and Sacramento Districts was in the public interest. (See D.05-09-020, p. 15.) The Commission noted “... that Cal-Am’s proposal does not even remotely comport with the rate consolidation guidelines.”²⁰ (Id. at 16.) Cal-Am failed to satisfy the standards for proximity, rate compatibility and water supply established in the rate consolidation guidelines.²¹ (Id. at 16-17.)

¹⁸ Although different parts of Cal-Am’s Application refers to Special Request #6 alternatively as a balancing account or a memorandum account, it is DRA’s understanding that Special Request #6 would utilize a memorandum account.

¹⁹ Order Instituting Investigation to consider policies to achieve the Commission’s conservation objectives for Class A water utilities. I.07-01-022.

²⁰ “Guidelines for Combining Water Utility Districts for Ratemaking and Public Utilities Commission Reporting Purposes” developed by representatives of Class A water utilities and Commission staff in 1992. (See D.05-09-020, p. 14.)

²¹ “The guidelines established four criteria in considering whether districts should be combined: 1. The districts must be in close proximity to each other (no more than 10 miles apart); 2. Present and projected future rates of each district should be relatively close to the other districts, with no more than a 25% difference; 3. Sources of water supply should be similar; and 4. The districts should be operated in a similar manner.” (D.00-06-075, p. 13.)

DRA finds no merit in revisiting an issue that the Commission decided a mere year and a half ago.²² Cal-Am has not provided adequate justification for the Commission to reconsider the issue of rate consolidation of the Larkfield and Sacramento Districts. The Commission conclusively decided the issue in D.05-09-020. Therefore, the Commission should not consider Cal-Am's request for rate consolidation of the Larkfield and Sacramento Districts in this proceeding.

IV. CONSOLIDATION OF APPLICATIONS

DRA recommends the consolidation of applications 07-01-036 (Coronado), 07-01-037 (Larkfield), 07-01-038 (Sacramento), and 07-01-039 (Village) into one proceeding because these four applications raise similar issues and share the issue of cost of capital.

V. CATEGORIZATION AND PROPOSED SCHEDULE

DRA agrees with Cal-Am's proposed categorization of this proceeding as ratesetting and that evidentiary hearings may be necessary to resolve these and other issues raised in Cal-Am's application. A public participation hearing in the affected districts may also be necessary. Therefore, DRA requests that a prehearing conference be held to establish a schedule for this proceeding.

Below is DRA's proposed schedule for this proceeding based on the Rate Case Plan ("RCP") for Class A Water Utilities adopted in D.04-06-018. DRA's proposed schedule intends to maintain the same time intervals between events as established in the RCP, but accounts for deadlines that fall on weekends or holidays.

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²² In all collateral actions or proceedings, the orders and decisions of the Commission which have become final shall be conclusive. (PU Code § 1709.)

EVENT	Rate Case Plan		Diff from RCP	DRA Proposed		
	DAY	DATE		DAY	DATE	Comment
Application Filed	0	January 22, 2007		0	January 22, 2007	
PHC and PPH Period Begins	6	January 28, 2007	+ 1 day	7	January 29, 2007	Change from Sunday to Monday but no change in other intervals
PHC and PPH Period Ends	75	April 13, 2007	- 1 day	74	April 12, 2007	Day 75 would be a Saturday but no change in other intervals
Update of Utility Showing DRA/Intervenor Testimony	45	March 8, 2007		45	March 8, 2007	
	102	May 4, 2007		102	May 4, 2007	
Utility Rebuttal Testimony	117	May 19, 2007	+ 2 days	119	May 21, 2007	Day 117 would be a Saturday. Add 2 days.
Settlement Discussions	121	May 23, 2007	+ 2 days	123	May 25, 2007	
Hearings Start	131	June 2, 2007	+ 2 days	133	June 4, 2007	
Hearings End	135	June 6, 2007	+ 2 days	137	June 8, 2007	
Briefs Filed	155	June 26, 2007	+ 2 days	157	June 28, 2007	
Reply Briefs Filed	162	July 2, 2007	+ 1 day	163	July 3, 2007	Day 164 is July 4. Subtract 1 day.
ALJ Memo to Water Division	177	July 17, 2007	+ 1 day	178	July 18, 2007	
Water Division Provides Tables	233	September 11, 2007	+ 1 day	234	September 12, 2007	
ALJ's Proposed Decision Filed	245	September 23, 2007	+ 1 day	246	September 24, 2007	
Comments on Prop. Decision	265	October 13, 2007	+ 2 days	267	October 15, 2007	Day 266 would be a Sunday. Add 1 day.
Replies to Comments	270	October 18, 2007	+ 4 days	274	October 22, 2007	Day 272 would be a Saturday. Add 2 days.
Commission Meeting	285	November 2, 2007	+ 3 days	288	November 1, 2007	Commission Meeting is on November 1, 2007. Subtract 1 day.

VI. CONCLUSION

Cal-Am's Applications request substantial rate increases. DRA will be conducting discovery to develop its testimony and recommendations. Hearings may be required and a schedule should be established at the prehearing conference that allows for a diligent review of the requested rate increases. Since DRA has not completed discovery or filed its report, it reserves the right to assert any issue discovered after this Protest has been filed.

Respectfully submitted,

/s/ Marcelo Poirier

Marcelo Poirier
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February 21, 2007

CERTIFICATE OF SERVICE

I hereby certify that I have this day served a copy of the foregoing document **“PROTEST OF THE DIVISION OF RATEPAYER ADVOCATES TO THE APPLICATIONS OF CALIFORNIA-AMERICAN WATER COMPANY TO INCREASE REVENUES”** in proceeding A.07-01-036, A.07-01-037, A.07-01-038, and A.07-01-039.

A copy was served as follows:

☒ **BY E-MAIL:** I sent a true copy via e-mail to all known parties of record who have provided e-mail addresses.

☐ **BY MAIL:** I sent a true copy via first-class mail to all known parties of record.

Executed in San Francisco, California, on the 21st day of February, 2007.

/s/ Joanne Lark

Joanne Lark

SERVICE LIST

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